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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

U S WEST

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Cyndie Eby
Executive Director-
Federal Regulatory

July 19, 1996

Honorable Reed E. Hundt
Honorable James H. Quello
Honorable Rachelle B. Chong
Honorable Susan P. Ness
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Docket No. 95-185 (LEC-CMRS Interconnection)
CC Docket No. 96-98 (LEC-LEC/CMRS Interconnection)

Dear Commissioners:

U S WEST Communications is pleased to announce that it has reached its first interconnection agreements negotiated under the new Telecommunications Act of 1996. The first agreement is a multi-state LEC-CMRS interconnection agreement with Southwestco Wireless L.P., an affiliate of Bell Atlantic NYNEX-Mobile, Inc., one of the nation's largest cellular carriers — a CMRS provider which competes against the cellular carrier affiliated with U S WEST. A similar agreement has been signed with United States Cellular, again a multi-state CMRS provider. Consistent with Section 252(d)(2)(A) of the new Act, the agreements provide for mutual compensation for call termination. The parties have also agreed to pay each other the same rate for end office call termination, and this one rate will apply in all states subject to the agreements. The two-year agreements will become effective on January 1, 1997, when the current interconnection contracts between the parties expire.

The parties must now embody their memorandum of understanding into a detailed contract, and they have agreed to complete this drafting phase before the end of August.[1] Thereafter, U S WEST will promptly submit the agreements to the relevant state commissions for their approval.[2]

[1] Given that incumbent LECs and CMRS providers have been interconnected for a decade and have had considerable experience in negotiating interconnection agreements, it should not be surprising that a new wireless interconnection agreement, consistent with current law, would be negotiated between a LEC and a CMRS provider. As CTIA stated shortly before this Commission commenced its Docket 95-185 proceeding, "[c]ellular companies and LECs have negotiated and imple-

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U S WEST is confident that the impacted state commissions will, like the Illinois Commerce Commission (ICC) before them,[3] promptly approve their interconnection contract.[4] Section 252(e)(2) provides that a state commission may reject a negotiated agreement only if it finds that "the agreement (or [any] portion thereof) discriminates against a telecommunications carrier not a party to the agreement" or that "the implementation of such agreement or portion is not consistent with the public interest, convenience, and necessity." The parties freely negotiated a mutual compensation agreement that is consistent with the public interest, and they are confident that there will be no showing to the contrary.

There are, on a macro level, many similarities between this LEC-CMRS agreement and the agreement the ICC recently approved between Ameritech and Cellular One-Chicago — namely, reduced rates for interconnection and the provision of mutual compensation between the parties. On the other hand, there are considerable differences in the terms, conditions, and prices of the two agreements. These differences should not be surprising given that the two agreements involve different carriers serving vastly different markets.

Indeed, the Commission should expect differences in terms and conditions because different carriers have different cost structures — differences which necessarily must be reflected in the prices charged for interconnection. For example, because of its unique landline serving area, U S WEST Communications' network contains 16% more end office switches than does Ameritech's network even though U S WEST's network serves 23% fewer access lines.[5] Similarly, while Ameritech

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mented satisfactory interconnection agreements" which have "produce[d] fair and nondiscriminatory . . . arrangements." CTIA Comments, Docket 94-54, at 18 and 20 (Sept. 12, 1994).

[2] While Section 252(a) directs state commissions to review interconnection contracts executed by incumbent LECs like U S WEST Communications, the new Act does not change the 1993 amendments to the Act preempting state commissions from regulating CMRS entry or the rates CMRS providers charge to their customers. However, this Commission has already held that the 1993 amendments did not preempt the states over the subject of LEC-CMRS interconnection. *See, e.g.*, Louisiana Rate Petition Order, 10 FCC Rcd 7898, 7908 at ¶ 47 (1995); Second CMRS Report, 9 FCC Rcd 1411, 1498 at ¶ 231 (1994); Indianapolis Telephone v. Indiana Bell, 1 FCC Rcd 228 (1986), *aff'd*, 2 FCC Rcd 2893 (1987).

[3] SBC Communications recently submitted to this Commission a copy of the June 26, 1996 ICC order approving a new interconnection agreement between Ameritech-Illinois and Southwestern Bell Mobile Systems (Cellular One). *See* Letter from D.T. Hubbard, SBC, to William F. Caton, FCC (July 1, 1996). The ICC approved this agreement within six weeks of the parties submission of the agreement (as opposed to the three months permitted by the new Act).

[4] In fact, at the conclusion of the last wireless interconnection negotiations with CMRS providers, USWC, in 1994, implemented the negotiated agreements with consistent prices and terms across all 14 states in which USWC operates. This was accomplished through filings with each state PUC.

[5] All data in this letter is based upon the 1995 Annual Infrastructure Reports submitted to the Commission on July 1, 1996 by the Ameritech Operating Companies and U S WEST Communications.

and U S WEST serve a similar number of LATAs (29 vs. 27, respectively), there is a considerable difference in the size of these LATAs: U S WEST's LATAs are, on average, five times larger than the Ameritech LATAs (46,969 vs. 8,398 square miles, respectively). Not surprisingly as a result, a much higher percentage of U S WEST's lines and switches are located in rural areas compared to Ameritech:

Lines and Switches Located in Non-MSA Areas

	Lines	Switches
Ameritech	8%	27%
U S WEST	24%	59%

These differences in geography and population densities mean that Ameritech and U S WEST have very different cost structures in the switching and transport of local interconnection. For example, each U S WEST end office serves, on average, one-third fewer access lines compared to the average Ameritech switch (9,029 vs. 13,647, respectively).[6] The location of so many small switches in rural areas further means that, compared to Ameitech, U S WEST must transport tandem-interconnected calls much greater distances. To take the Denver LATA as an example, the distance between Denver and Grand Junction, Colorado's largest city on the western slope, is 246 miles.[7]

Interconnection pricing must reflect not only differences in operating cost structure but also differences in capital investment. Here, too, there are substantial differences between Ameritech and U S WEST. Last year, U S WEST invested in its network per access lines more than twice what Ameritech invested in its network ($173 vs. $82 per line, respectively).[8]

Congress, in mandating negotiations for interconnection between incumbent LECs and other providers of telephone exchange service (including CMRS providers), necessarily rejected a nationwide "one size fits all approach" to interconnec-

[6] A similar disparity is found in the lines per tandem switches, with each Ameritech tandem serving on average 419,782 lines while each U S WEST tandem serves on average only 290,529 lines.

[7] This is by no means an isolated example. For example, the distance between Wyoming's capital (Cheyenne) and its most popular ski Resort (Jackson Hole) is 436 miles. The distance between the two largest cities in South Dakota (Rapid City and Sioux Falls) is 347 miles. The distance between Salt Lake City and Moab is 238 miles. The distance between Albuquerque and Las Cruces, the third largest city in New Mexico, is 224 miles.

This point is further demonstrated by the fact that the facility U S WEST must use to serve one of its customers is, on average, almost twice as long as the facility Ameritech must use to serve one of its customers. U S WEST's average sheath mile per access line is .032 compared to .018 for Ameritech.

[8] Similar disparities occurred in 1994, with U S WEST investing $165 per line and Ameritech investing $84 per line.

tion. The facts in this letter, documenting differences in serving areas and cost characteristics of different carriers, confirm that Congress's decision was wise.

The LEC-CMRS agreements U S WEST negotiated, like the Ameritech/Cellular One contract recently approved by the ICC, further demonstrate that, if given the flexibility, CMRS providers have the ability to negotiate an interconnection agreement which meets their respective needs. [9]

Please contact me should you have any questions concerning this matter.

Sincerely,

Cynthia Eby

cc: Ms. Rosalind Allen, Deputy Chief, Wireless Telecommunications Bureau
Ms. Karen Brinkmann, Associate Chief Wireless Telecommunications Bureau
Mr. James Coltharp, Legal Assistant, Office of Commissioner Quello
Mr. Joseph Farrell, Economist, Office of Chairmant Hundt
Ms. Michele Farquhar, Chief, Wireless Telecommunications Bureau
Ms. Kathleen Franco, Policy Division, Common Carrier Bureau
Mr. Dan Grosh, Wireless Telecommunications Bureau
Mr. Jay Markley, Policy Analyst, Wireless Telecommunications Bureau
Mr. Zenji Nakazawa, Wireless Telecommunications Bureau
Ms. Regina Keeney, Chief, Common Carrier Bureau
Ms. Kathryn O'Brien, Wireless Telecommunications Bureau
Mr. Greg Rosston, Economist, Common Carrier Bureau
Mr. Walter Strack, Wireless Telecommunications Bureau
Mr. Steven Weingarten, Common Carrier Bureau

[9] CTIA recently submitted a "White Paper" that is factually inaccurate in many material respects. *See* Letter from Randall S. Coleman, CTIA, to Reed E. Hundt, FCC Chairman (June 28, 1996). Twice in its Paper CTIA asserts that CMRS providers "pay an average of 3 cents per minute to interconnect with a LEC" when the record in this proceeding documents that the seven BOCs, serving 80% of all access lines, have been charging much less than this sum. Moreover, CTIA conveniently ignores the fact that, in specific response to the CMRS industry, some LECs like U S WEST charge one "blended" rate rather than a separate rate for local switching and a different (higher) switched access rates for calls terminating outside the free calling area. In the end, though, even CTIA's "white paper" is irrelevant because, with the enactment of the new Act, all LECs and CMRS providers are operating under a fresh set of rules.